


March 16, 1961

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Contracting Officer
Washington, D.C.

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Dear 

We return herewith two executed copies of Contract CC-28441.
For purposes of clarification, the following points are noted:

1. We filled in and initialed the date of March 1 as the effective date of commencement of work.
2. In Paragraph 2 of Article III, when amending the fixed-fee from 10% to 15% during negotiations, the third word in the second line of Paragraph 2 was inadvertently permitted to remain "10" and should read "15". This change has been entered and initialed in the margin.
3. With respect to Article IV, Paragraph 1(b), in the cost estimate submitted and used as a basis of computation of the total estimated cost figure contained in Paragraph 1 of Article III and the total fixed-fee contained in Paragraph 2 of Article III, incentive bonuses to employees were included. It is assumed by the Contractor that the use of these estimates as aforesaid constitutes approval in principle of the use of incentive bonuses and approval in general magnitude of the bonuses that might be paid.
4. In Paragraph 2 of Article IV, we have amended (and initialed in the margin) line 3 to conform to the amendment of Paragraph 2 of Article III so that the fixed-fee is established at 15% of the estimated cost and that in each billing submitted, pursuant to Article IV, progress payments on the fixed-fee in a sum equal to 15% of the amount billed will be included.
5. Inasmuch as "Contract Cost Principles, Section XV, Part 2, Armed Services Procurement Regulations" are employed as the basis for the establishment of the costs under this contract, the Contractor still believe that the estimate submitted for the work to be performed should, under these principles, indicate indirect costs (overhead) to constitute

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100% of direct costs rather than the initial overhead rate established. We believe it essential that recognition be given to this point in order to avoid any misunderstanding on the subject of overruns when indirect costs actually do reach this magnitude.

While the Contractor has undertaken to minimize all costs under this contract, both direct and indirect, and will continue to use every effort to continue to observe the need for the strictest economy in operations, it is still believed that the computation submitted indicating indirect costs of 100% should form the basis of the total cost estimate. In this connection, it is also noted that domestic travel costs (as contrasted with local travel costs) which are expected in the case of this contract to be abnormally high because of the nature of the work and the locations at which the performance will be required, have not been mentioned. It is believed that suitable language should be inserted in the contract by amendment to cover this item of estimated cost in the direct cost category, and to this extent an exception made to the "Contract Cost Principles". If, indeed, the figure estimated during negotiations to cover the cost of domestic (other than local) travel is included as a direct cost, some mention should be made in Article IV, Paragraph 1(a). If on the other hand such travel is treated as an indirect cost, it will fall within the 49% provisional overhead charge which will be used in billing under the contract. To clarify this point and to bring the terms of the contract into conformity with the agreements reached during negotiations, it is suggested that in Article IV, Paragraph 1(a), the following be inserted as the first sentence of the paragraph:

"Because of the nature of the work to be performed and the many locations involved in the performance, domestic travel (other than local travel at the locations involved) and travel to and from the area, should be considered direct costs of this contract notwithstanding any other provisions of this contract."

We appreciate that upon full performance of the contract term and payment of all allowable costs this differentiation of travel costs will not be important inasmuch as travel

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costs connected with the contract, whether listed as a direct or indirect cost, will be reimbursed to the extent specified. Because of the effect on billing, however, we believe the change requested to be appropriate.

6. Lastly, it is noted that no provision has been made to cover the costs incurred by other Contractors connected with the project in a) the performance of experiments and tests requested by the Contractor herein and b) the construction and modification of equipment used in the AR research and testing program. As evidenced by Article I, Paragraph (b), it was assumed in the negotiations that such costs would be carried under existing contracts with such other Contractors and would not be charged to the Contractor herein by such other Contractors. To assure that this assumption is carried forward into the contract, the following amendment at the end of Article III, Paragraph 1 is suggested:

"The estimated costs do not include the costs incurred by other project Contractors in performing AR experiments or tests requested or suggested by the Contractor herein, or in constructing or modifying equipment for AR experiments and tests requested or suggested by the Contractor herein, it being understood and agreed that such costs incurred by other project Contractors are to be reimbursed under the respective contracts of such other Contractors and are not be charged over to the Contractor herein."

We would appreciate notification of your concurrence in the above and appropriate amendment of the pages involved.

Sincerely,

HERBERT I. MILLER
Contractor

Contractor

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Enclosure (2)

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